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SIPDIS

SENSITIVE

PASS TO USAID AMBASSADOR, WENDY CHAMBERLAIN, AA/ANE,  
GORDON WEST, DAA/ANE; BERNADETTE BUNDY, ANE

DEPARTMENT FOR SA, D, SA/INS, LONDON FOR POL/RIEDEL  
NSC FOR E. MILLARD

E.O. 12958: N/A

TAGS: [EAID](#) [PREL](#) [CE](#) [LTTE](#)

SUBJECT: DRAFT DONOR STATEMENT OF PRINCIPLES RE FOREIGN  
ASSISTANCE TO SRI LANKA

SENSITIVE BUT UNCLASSIFIED - PROTECT ACCORDINGLY.

**¶1.** (SBU) SUMMARY. This is an ACTION message. This cable contains the latest draft of the Donors' statement of principles regarding provision of foreign assistance to Sri Lanka as the peace process proceeds. It has been agreed to (ad referendum) by all of Sri Lanka's major bilateral donors at a meeting at Ambassador Wills' residence 4/8. As an attachment to the statement of principles, donors also indicate "illustrative milestones" that ought to be met by the GSL and LTTE. All participants have been asked to get concurrence/comments on the statement of principles from capitals by 4/15, when the donors will meet again at Jefferson House. The thinking in Colombo is that this document, once cleared, would be turned over to the Norwegians, who would in turn pass it to the GSL and the LTTE at the next negotiating round in Thailand in late April. The GSL and LTTE would be free to comment on it but the supposition is that they would agree to it in time for it to be made public at the Tokyo conference in June. The statement of principles is not a contract or an obligatory document but rather an exhortation to the GSL and the LTTE to live up to the principles if they want donor aid. But the donors individually would be free to make their own judgments about whether and how to dispense their assistance. END SUMMARY.

**¶2.** (SBU) A group of donors met at Jefferson House on 4/8 to consider a draft statement of principles regarding provision of foreign assistance to Sri Lanka. The statement was originally drafted by several western aid directors, who wanted to introduce conditionality to Sri Lanka's peace and aid processes. It was substantially edited and recast by Ambassador Wills, then reviewed by ambassadors from the UK, Japan, EU and US over the weekend. This all-hands meeting at Jefferson House included the following: Ambassadors or CDAs from Australia, Austria, Canada, France, Germany, India, Italy, Japan, Korea, Netherlands, Norway, Saudi Arabia, Sweden, Switzerland and the UK, plus country directors from the UN, WB, IMF and ADB.

**¶3.** (SBU) At the urging of Ambassador Wills, the term conditionality was dropped and the draft turned into a statement of principles with an accompanying list of "illustrative milestones." (The list is being faxed to SA and INS as it cannot be printed out in cable format.)

**¶4.** (SBU) In the 4/8 discussion, all participants save the HC of Australia were comfortable with the idea of linkage in the statement's opening paragraph. The Australian was not sure his government would agree to linkage, but in the end he agreed to forward the language to Canberra along with his endorsement. The Japanese Ambassador was concerned that there be no formal monitoring mechanism after the Tokyo Conference, when the statement, it is hoped, will be made public. He proposed that any further developments/changes related to the statement post-Tokyo be coordinated by the co-chairs of June's conference: Japan, Norway, the EU and US. This was agreed to by all. In other words, the meeting decided to track compliance in an informal manner.

**¶5.** (SBU) The document was reviewed word-by-word and agreed to by the meeting's participants. It was decided all should consult home offices and get comments/clearance by April 15, when the group will meet again at Jefferson House. It was also decided all should get clearance from home offices on what to do with the statement. In this regard, the proposal that arose from the meeting was that, once cleared, it should be passed to the GON, which will then table it at the next round of the negotiations in Thailand in late April. The GSL and LTTE would be asked to consider and accept it and it would then be issued at the Tokyo Donors conference in June. There was a lot of

debate about whether it should be signed by all the donors or just issued, with a majority favoring the latter.

**16.** (SBU) It was also agreed that this was not a contract or obligating document. It rather is an exhortation to the GSL and LTTE to live up to these principles and milestones to ensure donor aid. But it will be up to each donor to decide whether and how to deploy its own assistance.

**17.** (SBU) Action Request: Request Washington agencies' comments/concurrence prior to April 15.

**18.** (SBU) Begin Text:

DRAFT April 9, 2003

## Basic Principles for Peace and Development

### **11. Purpose**

To ensure sustainable resources for peace and development in Sri Lanka through a process that links development assistance to adherence to basic principles.

### **12. Background and Rationale**

Sri Lanka is in a period of transition, somewhere between war and peace but not yet definitively 'post conflict.' Progress towards peace and political settlement must be encouraged and supported by all parties.

This paper suggests a process for highlighting basic agreed principles and suggests milestones and indicators that link development assistance to the peace process. This is not intended as a prescriptive exercise but rather as a dialogue and partnership among GOSL, LTTE and donors, on shared concerns.

Sri Lanka can boast significant progress towards peace. The ceasefire agreement is one year strong, regular peace negotiations have demonstrated commitment to address core issues such as a political settlement, human rights, humanitarian and rehabilitation assistance and gender. Development achievements are also noteworthy: SIHRN has been established and acknowledged by the international community; NERF is operational; quick impact projects are being approved; Regaining Sri Lanka, along with a multilateral group-supported needs assessment for immediate and medium term rehabilitation needs, will be tabled at a pledging conference in Tokyo in June 2003.

The peace process and the development process are mutually reinforcing. There is need, therefore, to develop mechanisms for ensuring they complement each other.

### **13. Basic Principles**

#### **3.1 Progress on Political settlement**

The main message of the Oslo Declaration is that a viable political settlement should be the desired outcome of the peace process. Through six rounds of talks, progress and commitments have been made on substantive issues. At the Hakone talks, the parties to the negotiation reiterated their commitment to develop a federal system based on internal self-determination within a united Sri Lanka and have begun to discuss the essential elements of fiscal federalism. This principles framework recognises that this process will take time, and aims to enhance this positive momentum.

#### **3.2 Respect for human rights and security**

Human security is central to the post conflict peace settlement process. It encompasses freedom for civilians from pervasive threats, ensures protection and safety, and promotes respect for human rights norms by all parties.

The Hakone peace talks demonstrated the parties' commitment to human rights. We encourage expeditious development and implementation of the human rights roadmap. There has also been ongoing substantive dialogue between the LTTE and a coalition of organisations led by UNICEF on child rights and children affected by war.

Considerable commitments were made during 2002 regarding land tenure and access issues in conflict-affected areas, and on the rights of IDPs. These positive initiatives now require support and implementation. Adoption of the Guiding Principles on Internal Displacement would support these initiatives.

#### **3.3 Participation and Representation**

The Oslo Declaration and SIHRN's Guiding Principles underscore the importance of recognising the needs and aspirations of all ethnic communities as well as actively involving beneficiaries in planning their own development.

At present, ordinary Sri Lankans need a better understanding of the peace process. Increased public knowledge and dialogue on the negotiations would both enhance and deepen public support for peace.

The key to effective engagement with international actors on development, investment and trade will be the establishment of plural, representative government in conflict-affected areas.

#### 3.4 Democracy

The donors accept that it is for the parties to negotiate constitutional arrangements with which the country as a whole will be comfortable. Our concern is that the system must be democratic, transparent and accountable.

There is overwhelming support for a greater degree of autonomy at local levels, with representative decentralised local government that is accountable, responsive to local needs, makes better use of available local resources and delivers efficient services. While this transition will take time, developing local government structures expeditiously will help build trust within and between communities and create an enabling environment for increased donor support. The Hakone proposal to prepare for local government elections in the North and East is a welcome initiative.

#### 3.5 Transparency and Management of Finances

With additional resources being committed in the conflict-affected areas, the open and transparent management of these resources would increase community and donor confidence. While the guidelines for SIHRN and the NERF are positive steps, the lack of clarity over systems of revenue generation, resource distribution and taxation in conflict-affected areas needs to be resolved.

### 14. Reconciliation

Ultimately, the goal of the peace process will be reconciliation between and among communities island-wide. This will require effective efforts to ensure that the underlying causes of tensions between and amongst communities island-wide are addressed and reconciled. National frameworks such as that for Relief, Rehabilitation and Reconciliation (3R) make important recommendations which address both equity and access imbalances in Sri Lanka. Issues such as language policy, education and public sector reform require immediate action, additional resources and unwavering political commitment.

### 15. Milestones

The success of the framework will depend on the setting of realistic and achievable milestones. Immediate evidence can be demonstrated on such key issues as:

- Full implementation of the ceasefire agreement, including unrestricted access by the SLMM.
- Adoption of the "plan" leading to a final political settlement.
- Underage recruitment: children no longer subject to recruitment; progress on the reintegration of current and former underage recruits into communities
- Clarification of the respective roles of central and local government in the administration of taxation and the management of public funds.
- Respect for basic operating principles of international humanitarian and development assistance agencies.
- Progress on settlement of land and livelihood issues on occupied lands, including in the HSZ.
- Development of structures of governance at the sub-national level that are representative, transparent and accountable.
- No laying of new mines and increased mine clearance.

As the peace process progresses, there will need to be dialogue to establish further milestones in emerging areas such as security and related matters.

Annex 1 contains sample, illustrative milestones in support of the above principles.